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5 February 1987

Shamir's US Visit: Aims and Political Context

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Summary

During his mid-February 1987 meetings with US officials, Israeli Prime Minister Yitzhak Shamir is likely to accentuate the continuity of his policies--particularly on the peace process and Israel's economic austerity strategy--with those of his predecessor, now Foreign Minister Shimon Peres. Shamir probably will highlight his willingness to meet publicly with Jordan's King Hussein and his commitment to economic reform aimed at spurring growth but restraining inflationary pressures.

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Shamir's overriding aim will be to demonstrate to the Israeli public that he is managing Israel's vital relationship with the United States as well as Peres did. With an eye to his domestic audience, Shamir will be eager to gain public reaffirmation that the Iran arms affair has not damaged the US-Israeli special relationship. He also will be interested in advertising continued US-Israeli cooperation on strategic security issues--including SDI--and in exploring US thinking on ways of providing increased "backdoor" assistance to Israel by reducing the

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This memorandum was prepared by [] the Israel-Jordan-PLO Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis with a contribution from [] the Near East-North Africa Branch, Asia Near East Division, Office of Leadership Analysis. Information as of 5 February 1987 was used in its preparation. Questions and comments should be addressed to Chief, Arab-Israeli Division, []

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interest rate on military debts owed to the United States and increasing military cooperation. [REDACTED]

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Despite Prime Minister Shamir's outwardly positive and moderate stance, US Embassy reporting makes clear that he is coming under growing pressure from his Likud rivals--Deputy Premier David Levy and Commerce Minister Ariel Sharon--to establish new West Bank settlements and revert publicly to Likud's traditional hard line on Arab-Israeli issues. As the late November 1988 deadline for Israel's national election draws nearer, Shamir may respond to the Levy-Sharon challenge to his leadership by campaigning for at least a few new settlements and trumpeting his ideological commitment to permanent retention of the West Bank. To the extent that he reverts to this tougher rhetoric and policy, Shamir will face growing strains in his working relationship with the Labor Party. He also is likely to try to preempt Levy and Sharon by backing away from tough economic reforms--a trend already apparent in the National Unity government's recent, watered down reform package. [REDACTED]

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Political Challenges

Shamir's hallmark response to political challenge--either as Likud leader or Prime Minister--has been to maintain a low public profile while capitalizing on his control of Likud and the trappings of national leadership. The Shin Beth affair--involving the alleged coverup of the 1984 murder of two captured Palestinian terrorists--tested both Shamir's political and personal reputation for integrity. In public interviews, Shamir steadfastly claimed ignorance of the details of the case, even in the face of allegations by the former Shin Beth director that Shamir condoned the coverup and helped falsify information in three subsequent investigations. In late December 1986, the Justice Ministry vindicated Shamir by concluding in its investigation that there was no evidence that he gave prior approval for killing the terrorists or that he sanctioned a coverup of the events leading to their deaths. Throughout the Justice Ministry investigation, Shamir characteristically was tight-lipped in response to the accusations, probably calculating that the Israeli public's conscience would not be overly troubled by the murder of two Palestinian guerrillas caught during their hijacking of an Israeli civilian bus. [REDACTED]

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Shamir similarly followed a conflict avoidance strategy during the chaotic Herut party convention in March 1986, when

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Levy and Sharon allied their camps in an effort to gain key Herut positions and to oppose Shamir's efforts to strengthen his authority by merging Herut with the Liberal wing of Likud. Such a merger would have installed an additional 400 predominantly pro-Shamir delegates at the convention. Amidst verbal assaults and fisticuffs, Shamir quickly adjourned the convention to avoid risking defeat at the hands of the Levy-Sharon block in key convention votes. [REDACTED]

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Shamir also has maintained a low-profile on the US-Iran arms transfer issue, apparently preferring to let Peres and Defense Minister Rabin take the lead in responding to reporters' questions on Israel's role. Sensitive to the potential damage to US-Israeli relations, Shamir has sought to minimize Israeli domestic controversy and prevent backbiting between US and Israeli leaders. [REDACTED]

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Shamir's US Agenda

Managing the US relationship: Shamir undoubtedly hopes to enhance his public image at home by demonstrating that he, like Peres, can ably manage the vital US relationship. US Embassy reporting and public opinion polls long have shown that the national electorate views the premier's ability to ensure a profitable working relationship with the United States as a major indicator of competence. During his visit, Shamir probably will seek public US reassurance that the Iran arms affair has not damaged the US-Israeli relationship. [REDACTED]

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According to US Embassy reporting, Shamir's advisers have urged Shamir to follow Peres's example and develop a positive public image with the media at home and abroad and with the Israeli electorate. Throughout his term (1984 to 1986), Peres assiduously cultivated good relations with the media and achieved broad domestic popularity which he skillfully exploited to intensify Labor pressure on Likud to maintain coalition government understandings. [REDACTED]

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In our view, Shamir hopes that, by temporarily moderating his traditional stance, he will strengthen his own party position, improve Likud prospects in the 1988 election, and enhance his relations with US leaders. Like Peres, Shamir evidently has concluded that the Israeli public wants stability in government policies rather than radical partisan changes. [REDACTED]

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Strengthening strategic ties: We expect Shamir to follow up on several Israeli proposals aimed at enhancing US security

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assistance without increasing Congressionally-appropriated funding. He appears to recognize that US budgetary limitations make it unlikely that Israel can secure early increases in annual US financial assistance--currently pegged at \$1.8 billion in military and \$1.3 billion in economic grant aid. He is likely to propose more generous reciprocal military leasing arrangements--including Israeli leasing of AH-1 Cobra helicopters for training purposes--and increased Israeli involvement in SDI research, particularly in kinetic energy weapons and antiballistic-missile defense. [REDACTED]

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Shamir also is likely to focus on gaining US support for Israeli military sales to NATO countries and to other major US treaty allies. He may seek US agreement to service contracts for maintenance in Israel of US equipment deployed in NATO countries and for increased sales of Israeli nonmilitary items to NATO members. Despite US proposals for alternatives to the Israeli-developed Lavi fighter aircraft, Shamir is likely to adhere to Rabin's current assessment that the Lavi remains Israel's most viable option. [REDACTED]

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Shamir probably will seek ways to institutionalize further the nature of US-Israeli strategic cooperation. To this end, he is likely to propose greater US prepositioning of military materiel in Israel and acceleration of contingency planning within the framework of the Joint Political-Military Group. [REDACTED]

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Trade and debt: Shamir may seek assurances that protectionist pressures in the United States will not lead to new legislation that would undermine the 1985 US-Israeli free trade agreement. He is likely to explore the possibility of forgiveness or reduction of the interest on military debts owed to the United States. The Israelis currently pay about \$900 million annually in these interest payments. [REDACTED]

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Peace process issues: During his Washington discussions, we believe Shamir will make a concerted effort to project continuing moderation on Arab-Israeli issues. He is likely to reiterate publicly his willingness to meet anywhere with King Hussein and to engage in direct, face-to-face negotiations. Shamir has made clear in recent speeches his willingness to undertake a wide range of negotiations with Jordan, from border security and environmental control to the ultimate disposition of the West Bank. [REDACTED]

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[redacted]

Shamir's moderate rhetoric, however, belies staunch Likud and nationalistic attitudes, and he is unlikely to break new ground on the peace process. Shamir in particular has not moderated his hard line stance on territorial compromise. He is unlikely to offer significant territorial concessions in the West Bank and Gaza Strip and insists that talks on the future status of the territories be conducted with a Jordanian-led delegation whose composition would be subject to Israeli veto. [redacted]

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Shamir has not abandoned his longstanding attachment to the West Bank, but he has displayed tactical flexibility in his policies toward the occupied territory during his first several months as premier. He has stated [redacted] on several occasions since assuming office on 20 October that the establishment of new Jewish settlements is contingent upon unity coalition guidelines and economic constraints--a tacit admission that few new settlements can be started given Israel's commitment to economic austerity. Shamir and his closest aides have expressed their willingness to continue efforts to improve the quality of life of Arab residents of the territories. [redacted]

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Shamir has sought to improve his personal relationship with Egyptian President Mubarak by calling for another summit meeting and by taking public note of Egyptian efforts since the Mubarak-Peres summit in Alexandria last September to strengthen cultural ties. [redacted]

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International conference: In our view, Shamir has deliberately tailored his remarks on an international Middle East peace conference to placate different audiences, but at bottom remains adamantly opposed to an international framework because he believes it would pit Israel against a Soviet-led Arab phalanx. In some interviews, he has suggested his willingness to consider a loosely-organized conference to ratify the results of previous direct negotiations between Israel and individual Arab states. But in other forums--particularly in speeches to Herut gatherings--he has rejected any form of international conference. Given the lack of movement in the peace process, Shamir probably doubts that he will have to take a clear stand soon. [redacted]

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Soviet role: Shamir has expressed interest in meeting with Soviet representatives, but we do not believe he will compromise on his adamant opposition to any PLO participation in peace negotiations in return for Soviet agreement to establish consular or even full diplomatic relations. On the issue of Soviet Jewish emigration--a matter of great personal import for Shamir--he may be willing to reestablish relations with the Soviets in return

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for eased restrictions on the emigration of Soviet Jews to Israel. But even in this case, Shamir probably would remain cool to Soviet participation in peace talks, in our judgment. [REDACTED]

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Backing Away From Economic Reforms

Shamir proposed to the cabinet last December an amalgamation of earlier programs that emphasized both growth and austerity. His economic reform package called for improving the standard of living, increasing employment opportunities, and reducing the government's role in the economy through a program of tax reform, restructuring of the capital market, and privatization. He intended to resist policies--especially wage increases--that might enhance his popularity with the electorate but undermine the still fragile gains of the stabilization program. The government proposal also included ambitious plans to cut budget spending by \$343 million for the fiscal year beginning this April. [REDACTED]

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Strong opposition from unions, industry, and the Labor party, however, has forced the cabinet to accept a less ambitious version of Shamir's economic reform proposals. The US Embassy reports that the cabinet in January discarded key elements of the package, including major tax and capital-market reforms, and cut the proposed budget by only \$266 million. Bowing to pressure from Defense Minister Rabin, the cabinet scrapped a proposed \$120 million reduction in military spending. The government also agreed to a 10 percent devaluation of the shekel, despite Shamir's previous public commitment to a stable exchange rate. The government's efforts to reach a budget compromise apparently have pleased none of its constituents and probably have confirmed the views of many that Shamir lacks the expertise and strong, interventionist leadership necessary to manage the economy. [REDACTED]

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Shamir is likely to come under heavy pressure from Levy and Sharon to implement popular measures--such as wage hikes and subsidy increases--to boost the party's national standing as the 1988 election draws near. Shamir also may be more likely to try to pass some of the blame for economic shortcomings onto Peres and his Labor party, alleging inadequate Labor support. Friction over economic policy is likely during 1987 to generate growing coalition tensions, but based on his past performance we believe Shamir will attempt compromise in the interest of warding off early elections and an open Levy-Sharon challenge for leadership of Likud. [REDACTED]

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Herut's Leadership Battleground

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Shamir clearly aims to capitalize on his position as Prime Minister to bolster his party standing and to forestall an open battle for Herut leadership. Levy and Sharon thus far have refrained from publicly undermining Shamir's status since he became premier to avoid charges of risking Likud leadership of the National Unity Government. But Shamir's continued moderation as his term progresses is likely to encourage his rivals to step up their pressure on him to forego coalition agreements and to hew to more hardline foreign and security positions as government policies. [REDACTED]

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Levy and Sharon undoubtedly will engage in intense competition at the upcoming Herut party convention--now scheduled for 30 March--to gain clear recognition as the odds-on favorite to succeed Shamir. Whatever the outcome of their struggle, they are certain to continue to jockey for advantage and to chip away at Shamir's credibility. Shamir, in turn, will be forced to contend with party feuding throughout his term, particularly during the runup to the 1988 elections. [REDACTED]

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Shamir will become especially vulnerable to attacks within Likud if he adheres to his go slow approach to additional West Bank settlements and openness to additional quality of life measures in the occupied territories. Levy is presently increasing pressure on Shamir to begin construction of seven new settlements and discounts Shamir's claim that new settlements are economically unfeasible. According to US Embassy reporting, Shamir remains reluctant for now to accept Levy's proposal. [REDACTED]

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Should settlement activists attempt to set up unauthorized settlements, Defense Minister Rabin would most likely step in to oust them--as he has in past confrontations. But Levy or Sharon--each ambitious to be Likud's next candidate for premier--might well back the settlers in hopes of undercutting Shamir's support among Likud's traditionally conservative electorate. [REDACTED]

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We believe that Shamir presently retains sufficient control of the Herut party machinery to outmaneuver such a challenge. But even if his rivals unseat him at the upcoming Herut convention or later, under the terms of the unity government Shamir could continue to serve as prime minister. Shamir has said he would resign if he lost the confidence of his party early in his 25-month term, but he probably would ride out the last few months if unseated near the end. [REDACTED]

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Outlook and Implications for the United States

Shamir's temperate stance since assuming office in October suggests he believes the Israeli public wants continuity and stability in policy rather than a return to the controversial politics of the Begin era. With this in mind, we believe Shamir will try to maintain his moderate tone on the peace process and will try to fend off the demands of more right-wing Likud elements. His goal to maintain good relations with the United States is likely to add impetus to his inclination to:

- Refrain from pushing for establishment of a large number of new settlements in the occupied territories.
- Maintain an encouraging and an open stance toward the peace process, largely because he believes the Arabs will continue to reject early negotiations.
- Keep communication lines open with Egypt.
- Adopt a positive approach to quality of life projects for the occupied territories. []

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Early in Shamir's term, Sharon and Levy probably will find it difficult to displace Shamir without bringing political problems upon themselves. We believe that despite hints from Shamir that Minister-Without-Portfolio Moshe Arens may be his choice for successor as party chairman, Shamir hopes to cement his party leadership and improve Likud's popular standing in hopes of making another bid for prime minister in the 1988 election. []

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Given Shamir's political maneuverings, we believe that Shamir does not view himself as an interim leader. At 71 and apparently in excellent health, Shamir is still a relatively young leader by Israeli standards. Perhaps more importantly, Shamir represents the powerful Herut old guard and at a minimum will want to assure its interests will be protected before risking transition to a successor leader. []

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